receipt of Rs. 3·37 lakhs from the Harbour Authorities as royalty on a portion of the reclamation ground, and an increase under income-tax. I shall explain later on the transaction relating to the royalty paid by the Harbour Authorities. Under income-tax, while we budgetted for only Rs. 3·55 lakhs, we expect to realise Rs. 6·60 lakhs during the current year. The increase is largely due to a stricter application of the income-tax law and to certain changes in the mode of assessment. Though according to the revised estimate for 1113 a deficit of Rs. 2·71 lakhs is anticipated, I am hoping that the year will actually end in a substantial surplus. We are carrying on negotiations with the Government of India regarding the sale of a portion of the Reclamation ground to the Port Authority and if this transaction is completed we would be getting in the current year on the revenue side Rs. 5·92 lakhs representing interest on our capital and royalty. This receipt if it materialises would enable us to close the account for 1113 with a surplus of Rs. 3·21 lakhs. Later on in my speech I shall give a fuller explanation of the details relating to this transaction.

BUDGET ESTIMATE FOR 1114.

4. For the coming year 1114 M. E., we have budgetted for a receipt of Rs. 104·87 lakhs. The customs revenue is expected to yield Rs. 23½ lakhs as against a normal revenue of Rs. 20 lakhs and the actual realisation of Rs. 13·47 lakhs in 1113. The increased receipt under customs is entirely due to a change in the classification of duties which the Government of India had to adopt as a result of the coming into operation of the Government of India Act of 1935. Honourable Members may know that Burma has now been separated from India and it is no longer a Province of British India. While Burma was a part of British India, all the petrol and kerosene oil that we received from that country was assessed to excise duties. Though Burma has now been separated we still get the mineral oils from that country. But Burma being now a foreign country the duties on the imported oils have to be classified under customs duty and we become entitled to a share of the duties collected on the oils imported through the Cochin Port. The customs duty collected on mineral oils imported through the Cochin Port comes to over Rs. 53 lakhs, and the increase in our share is due entirely to this factor. But for this extraneous circumstance we would have been faced with a very serious problem in balancing our budget. Without bringing the duty on the oils in the customs pool our share of the customs duty would have been reduced to about Rs. 13½ lakhs per year as against the normal expectation of Rs. 20 lakhs and we would

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have had to face the problem of making good a deficit of Rs. 6½ lakhs per year. Luckily for us, this serious position has been averted and we may now safely assume that our share of the customs revenue from the next year onwards will not be below Rs. 23½ lakhs per year.

We have augmented our resources still further by the imposition of a super-tax from next year onwards. This is expected to bring in a net annual revenue of about Rs. 1 lakh. From the Bill that will be introduced during this session it will be found that the burden of the super-tax would not be seriously felt. We propose to levy super-tax on the income of companies which is over Rs. 50,000 per year, and in the case of private individuals the excess income over Rs. 75,000 will be liable for taxation. As a result of careful investigation it has been found that most of the companies and individuals that will have to pay the super-tax would get a corresponding refund from the Government of India and the Cochin Government in accordance with the reciprocal arrangement for the relief against double taxation. The tendency of all modern Governments is to levy the maximum amount of tax on the richer classes who can afford to bear the burden and I have no doubt that this Council would welcome the step that we have taken in this direction.

5. We have budgetted for an expenditure of Rs. 101·47 lakhs for the coming year. A close scrutiny of the budget will disclose that considerable economies have been effected in the merely spending departments and increased provision has been made for the departments under the control of the Minister and for the Medical and the Education Departments. A special grant of Rs. 20,000 has been placed at the disposal of the Minister for rural development work besides a provision of Rs. 17,500 for the Rural Development Centre which has been recently started at Cherpu. In my last budget speech I had indicated the steps that we were taking for opening a Rural Development Centre. A Rural Development Officer has now been appointed and a Centre has been established at Cherpu. It is in the fitness of things that with the creation of a Ministry for Rural Development there should be a special Rural Development Officer. It is my intention that this officer would be an expert adviser to the Minister in all matters relating to problems of rural development and that he would also bring about full co-ordination amongst the activities of the various departments which cater to the needs of the rural population. Besides undertaking schemes of amelioration and development in rural areas, the Rural Development Centre will aim at training a band of young men for this kind of work and also serve as a place of

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demonstration in rural development activities. Under the Medical Budget we have provided Rs. 68,000 more than the revised estimate figures. Out of this increased provision, Rs. 25,000 has been ear-marked for the contribution to the Anti-Tuberculosis Fund started by Her Excellency Lady Linlithgow. Ninety-five per cent of this contribution will come back to us for expenditure in the State itself and it is my earnest hope that this will form the nucleus of a fund for fighting the ravages of this terrible disease. Besides these increased grants, we have made liberal provisions under the Education Department also. The increased grant of Rs. 69,000 under this head is intended partly for aiding the primary classes which have been opened since the year 1110. There is a steady increase every year in the number of divisions in the primary classes of the State. The problem of providing funds year after year for this inevitable and welcome growth will have to be faced seriously by the Government and this Council. From the experience of the last few years I find that we would have to make provision every year for an increase of 3,000 to 4,000 children in the primary classes. If all the classes are to be aided, we must find every year an additional amount of about Rs. 20,000 to Rs. 25,000 for this item alone in the Education Budget. Government are placing this subject shortly for the consideration of the Education Advisory Committee and I hope that later on, after the deliberations of the Committee are over, we would have a useful discussion on the subject on the floor of this House.

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RETRENCHMENT.

6. Simultaneously with the increased provision for the nation-building departments we have brought about considerable retrenchment in expenditure in the other departments. In my last budget speech I had mentioned that strict control is being exercised over public expenditure. This control has already borne fruit. A very substantial reduction has been effected under "Stamps, Stationery and Printing." For the last thirty years, our anchal stamps and judicial and revenue stamp papers were got printed from England. Arrangements have now been made for printing all these in India. The extent of saving that has been effected under this one item alone can be realised from the fact that a contract which according to the rates of the English manufacturers would have come to Rs. 97,000 has been settled in India for Rs. 45,000, thus effecting a saving of Rs. 52,000. The annual recurring saving under this item would be not less than Rs. 25,000. The Government Press has been in a most chaotic condition. Two experts were got down for examining the working of the Press and, as a result of the